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The

# Loan Arranger

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Spring/Summer 1999

Municipal Facilities Section - Environmental Assistance Division  
Michigan Department of Environmental Quality 

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## SHOW ME THE MONEY!!

By Chip Heckathorn

It's not just a line from Jerry McGuire, but rather an all too often heard comment from potential State Revolving Fund (SRF) and Drinking Water Revolving Fund (DWRf) applicants. Every municipality we speak to is interested in knowing just how much money will be available in the coming year, so it can ascertain the chances it has of being in the coveted "fundable range." Before we try our hand at guesstimating the amount of funding we will have available in Fiscal Year 2000, it may be of assistance to describe how and from where we get our fund resources.

Both funds are "capitalized" by grants from the Environmental Protection Agency (EPA), with state funds added that constitute the required 20 percent state match. The EPA seed monies are a product of the normal federal budget process, with the amount of money any state receives established by the classic process of authorization, appropriation, and allotment. Let's look at each of these separately:

Authorization – Congress sets long-term program direction and in effect "recommends" (to itself?) funding levels by including authorization language in Federal statute. The 1987 amendments to the Federal Clean Water Act and the 1996 amendments to the Safe Drinking Water Act, which first created the SRF and the DWRf programs respectively, also set the course for seeding the funds by containing program authorizations. The SRF was authorized to have \$8.2 billion in Federal funds injected into the program between Fiscal Year 1989 and Fiscal Year 1994. Authorizations to the DWRf

program covered Fiscal Years 1994 through 2003, and totaled \$9.599 billion. State Associations have been working with Congress to reauthorize the Clean Water Act and extend funding of the program to better address the significant need that still exists.

Appropriation – The actual commitment of funds, however, is done through an appropriation or spending bill. Each year, at the end of the budget process, Congress passes and the President signs into law a series of statutes that actually appropriate funds to finance the operation of Federal programs. The annual amount actually appropriated to any program may equal, exceed, or be less than the amount of the corresponding authorization for that year. (Note that Congress did appropriate funds to the SRF in Fiscal Years 1995-1998, even though the original authorization expired at the end of Fiscal Year 1994.)

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### Public Hearings

The dates have been set for the Public Hearings on the proposed Project Priority List and draft Intended Use Plan for the Fiscal Year 2000 Drinking Water Revolving Fund (DWRf) and the wastewater State Revolving Fund (SRF).

DWRf -- August 17, 1999 at 1:30 p.m.

SRF -- September 14, 1999 at 1:30 p.m.

Both hearings will be held in Conference Room B of the Environmental Assistance Division. Everyone on our mailing list for the Loan Arranger will receive a copy of the Public Hearing notice 30 days prior to the hearing.



Allotment – Each year the Federal SRF and DWRF appropriations are split between the states using allotment “formulas” that likewise have been set by Federal statute. In Fiscal Year 1998, Michigan received 4.3534 percent of the SRF Federal appropriation, and 2.94 percent of the DWRF appropriation. At least in theory, the allotment formulas have been developed based on the relative needs of each state.

In addition to capitalization funding, Michigan’s SRF and DWRF accounts are also able to use other sources of revenue to provide loan funding to municipalities and public water suppliers. Principal and interest payments from prior loans are deposited back to the funds. Any interest earned on fund balances is also made available to the fund. Lastly, periodic releases of bond reserve account funds provide another source of “new” money to the SRF and DWRF. Michigan’s revolving loan funds also have the statutory authority to accept gifts, grants, and appropriation of funds from any other source to further the objectives of the programs.

So.....how much money will be available in the programs in Fiscal Year 2000? With Congress and the Clinton Administration still debating appropriation levels for the SRF and DWRF, some lingering uncertainty whether we will carry any unspent Fiscal Year 1999 funds into next year, and decisions regarding leveraging of the fund(s) still to be made, it is nearly impossible to accurately predict how much fund capital will be available next year. At current proposed budget levels, we anticipate having approximately \$70-90 million available in the SRF, and only about \$20-25 million available in the DWRF, both well short of anticipated demand. (So many needs and so little cash!) As we approach the end of the current fiscal year we will be better able to estimate our Fiscal Year 2000 funding capabilities, and hopefully, shortly after October 1, be able to firmly establish a fundable range in both programs.

## Questions about the Clean Michigan Initiative?

The Clean Michigan Initiative is a \$675 Million environmental bond issue that was passed by Michigan voters last November. Following is a breakdown of how the dollars will be spent, with a contact name and telephone number for each item.

### **Brownfield Redevelopment and Environmental Cleanup - \$335 M**

This is being administered by the Department of Environmental Quality (DEQ), Environmental Response Division district offices. To find out which district office is handling your area, call the Field Operations Section at 517-335-4958.

### **Nonpoint Source Pollution Control Grants \$50 M**

Amy Peterson, Surface Water Quality Division, DEQ  
517-373-2037

### **Clean Water Fund - \$90 M**

#### **Cleanup of Contaminated Sediments - 25 M**

Bryan Harrison, DEQ  
517-241-7418

### **Waterfront Revitalization Grant Program - \$50 M**

Jim Linton, Environmental Response Division, DEQ  
517-373-8450, and  
Dana Lee Cole, Michigan Business Ombudsman,  
Michigan Jobs Commission  
517-335-1847

### **State Park Improvements - \$50 M**

Program Information – Christopher Groff, Parks and Recreation Division, Department of Natural Resources (DNR), 517-335-3147  
Specific Site Activities – Vicki Anthes, Planning Unit, DNR, 517-335-7890

### **Local Recreation Grant Program - \$50 M**

Jim Wood, Financial Services Division, DNR  
517-335-4050  
Sharon L. Edgar, Financial Services Division, DNR  
517-373-9125

### **Pollution Prevention - \$20 M**

Retired Engineers Technical Assistance Program-\$10 M  
Julie Feldpausch, 517-335-0081  
Discretionary-\$5 M, Marcia Horan, 517-373-9122  
Small Business Pollution Prevention Revolving Loan Fund-\$5 M, Marcia Horan, 517-373-9122

### **Lead Abatement Program - \$5 M**

Bart Pickelman, Department of Community Health  
517-335-9390

## **Publications Available from the National Drinking Water Clearinghouse (NDWC)**

*Note: The free items listed below are limited to one of each per order. Call 800-624-8301 or 304-293-4191 to order products. Please allow three to four weeks for delivery. Actual shipping charges are added to each order. NDWC products also may be ordered via e-mail at [ndwc\\_orders@ndwc.wvu.edu](mailto:ndwc_orders@ndwc.wvu.edu). Products are subject to availability. Please verify price when ordering.*

- **Regionalization Options for Small Water Systems**

Item # DWBKDM08

This 1983 book describes many forms of regionalization and analyzes the associated benefits; costs; and financial, legal, organizational, and political aspects. Case Studies illustrate the kinds of regionalization options available. Also included are methods to help communities evaluate and tailor options for their particular situation.

**Cost: \$0.00**

- **Utility Manager's Guide to Water and Wastewater Budgeting**

Item # FDBLFN13

This 1994 user-friendly booklet presents financial concepts that are helpful to water or wastewater utility managers when developing their annual budgets. Offered are sources of possible revenue, expenses to consider, suggestions on gaining public support, and examples to assist with developing revenue and expense trends information.

**Cost: \$0.00**

- **Looking at User Charges: A State Survey and Report**

Item # FDBLGN04

This 1987 document provides information on conducting community surveys to structure appropriate user charge systems. It includes a survey form, instructions, and a data analysis worksheet.

**Cost \$5.20**

- **Management of a Construction Project: An Opportunity and a Challenge**

Item # FDBRMG06

This brochure offers tips to help municipal officials hire project managers, develop management plans, and apply a team approach to project management.

**Cost \$0.00**

- **Alternative Funding Study: Water Quality Fees and Debt Financing Issues**

Item # DWBKFN08

This 1996 study evaluates specific revenue sources to increase capital investment in local drinking water and wastewater related projects. It focuses on funding from federal, state, or local fees to supplement existing subsidies. It also looks at the expanded use of debt financing.

**Cost: \$19.55**

## **As Ye Score, So Shall Ye Build** by Dave Krusik

As we proceed with the evaluation of DWRF project plans for the FY2000 PPL, priority-point scoring will reflect multiple drinking water system factors. Logically, the more water system improvements encompassed in your proposed project, the more points the project will "score". The DWRF law calls for comprehensive, 20-year planning; and if that yields high-scoring projects, then so much the better. The ranking process would be working exactly as intended.

If, however, you later realize that the scope of your proposal exceeds your financial, administrative or local-support capabilities – and you scale back the project – the point score will be re-evaluated and may be correspondingly scaled back to correlate with your revised, less-comprehensive project. We do not anticipate this happening very often, though unforeseen circumstances could reasonably cause an applicant to limit the scope of a project despite everyone's best intentions to address very real "needs" for water system improvements.

By carefully ensuring that project scope and priority-point scores stay accurately matched throughout the fiscal year, all applicants will be assured that the DWRF is not subject to concerns over inflated point totals or the appearances of bait-and-switch scoring when it comes to awarding public funds based on priority ranking. Unfortunately, this process necessarily has to be a one-way street. That is to say, points may need to be adjusted downward if projects down-scope during the funding cycle, but they cannot be adjusted upward after the final Project Priority List is published (unless, of course, there is a gross error on our part). To approach it otherwise could result in priority list chaos, with projects leap-frogging up and down the list almost at will.

So, "Go ye forth with the prescribed comprehensive planning and multiply your priority points, but be prepared to build as ye score."

## How much have we spent?

"A million here and a million there, and pretty soon you are talking about some real money." We've probably all heard the quote, but aren't sure who to attribute it to. We won't take credit for it, but it does speak volumes about the SRF and DWRP Programs.

From its birth in 1989 through the second quarter of Fiscal Year 1999, the SRF has provided assistance to 152 Michigan projects, totaling \$875,115,000. That's right, before the close of this fiscal year, we expect to pass the \$1 **billion** mark. The SRF Program's "little brother," the DWRP, which is just over one year old, has provided \$66,645,000 to 29 water supply projects.

**Now that's real money!**

## "We Sweat the Details" by Dave Krusik

Details matter. Although there are bookshelves loaded with self-help paperbacks advising us to quit worrying about the small stuff, it seems that in daily life, details are what it's all about. I won't quibble over whether "small stuff" is not the same as "details" – it's all a matter of gradation and perspective. Consider that details make the difference between having a tasty, toasted slice of raisin bread with your coffee, or tossing out an inedible burnt slab with the morning garbage; driving to arrive at an important meeting on time, or running out of gas on the way; stopping at a red light, or getting T-boned into the ER; and ... well, so it goes.

The importance of details holds true with the SRF and DWRP loan programs, as well. While the revolving funds are definitely much more streamlined than the old Construction Grants Program, there are still many details to handle if a project is to succeed: project planning details, user charge system details, engineering details, financial details, etc. In addition to the actual tasks that need to be accomplished, the whole process is managed with schedules and deadlines. In reality, it's not the detail work that confounds anybody; it's more a matter of the "timing" that can be a problem. I once heard a guy say, "Heck, give me enough time, and I'll build you another Mackinac Bridge all by myself." (Too bad I don't have that much time.)

Occasionally, a project does have to get deferred to a later quarter or dropped altogether from a fiscal year because a detail of task or timing falls short of the requirements. If your project has had such a misfortune, you have undoubtedly silently cursed us and asked, "So why does the Municipal Facilities Section adhere so carefully to the program requirements with respect to details and timing?" The simple answer is that it's a jungle out there and applicants for revolving funds are

engaged in a competition – a real competition – for scarce funds. On the way to improving the environment and safeguarding the public health, our goal is to ensure equitable treatment for all competitors.

If a project falters, there are several others waiting in line to snap up the funds; and while cutting some slack for a project that misses a deadline might seem like great customer service, (at least for the one who is getting the break), it would be unfair and really poor customer service for the other competitors. The projects waiting in line would say, "Hey, I'm ready and have diligently met all the requirements. Why prevent me from getting my share because you are playing favorites with the project that just missed a crucial item?"

We use flexibility where flexibility has been built into the programs, and we reliably hold firm where laws and rules prescribe our limits. Consistently abiding by the established requirements ensures program integrity, stability, and credibility. Everybody knows what to expect and everybody can count on fair and even-handed treatment.



We "sweat the small stuff" – the details, and we are ever ready to assist you on the same level of detail. Please focus on tasks and schedules. If you think you need to change some task or timing details of your project, call your Municipal Facilities Section project manager first, and as far ahead of time as possible. Nobody ever gets penalized for keeping us informed, but sometimes we have no choice but to pull the plug if one of those must-have details gets missed or ignored by an applicant. It's nothing personal. It's not a bureaucratic power trip. It's just equitable program administration. While one project may feel "stung" by a detail; overall, the heavy demand and strong competition for relatively scarce revolving loan funds ensures that the money will, indeed, be used by the next worthy project waiting in line.

Help us help you "sweat the details" by keeping us informed and in the loop on your project activities and scheduled tasks.

**Michigan Municipal Bond Authority (MMBA)/Department of Environmental Quality (DEQ)**

**2000 FINANCING SCHEDULE  
for the State Revolving Fund (SRF) and the  
Drinking Water Revolving Fund (DWRF)**

	<b>QUARTER 1</b>	<b>QUARTER 2</b>	<b>QUARTER 3</b>	<b>QUARTER 4</b>
Part I of Application Due	09/03/99	12/03/99	03/03/00	06/02/00
Part II of Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	10/01/99	01/07/00	04/03/00	06/30/00
Bid Ad Placed No Later Than	10/02/99	01/08/00	04/08/00	07/01/00
Part III of Application Due Bid Data Submittal	11/12/99	02/18/00	05/17/00	08/18/00
DEQ Order of Approval Issued	11/23/99	03/02/00	06/01/00	08/31/00
Borrower's Pre-Closing with MMBA*	12/09/99	03/16/00	06/15/00	09/14/00
MMBA CLOSING	12/16/99	03/30/00	06/29/00	09/28/00

\*In addition to MMBA requirements, all municipal bond sales must be reviewed and approved by the Local Audit and Finance Division of the Michigan Department of Treasury.

**AN APPROVABLE APPLICATION FOR AN SRF/DWRF LOAN MUST INCLUDE:**

1. A completed SRF/DWRF application (Parts I, II, and III) including all required application information and assurances.
2. A detailed project description, cost breakdown, and project schedule.
3. Financial documentation to demonstrate ability for timely repayment of the loan and other assurances required by the application. (Part I)
4. If applicable, all executed intermunicipal service agreements. (Part II)
5. An approved User Charge System. (Part II)
6. An approved Project Plan. (Part II)
7. A set of plans and specifications suitable for bidding, including DEQ construction permit. (Part II)
8. A certified resolution from the applicant designating an authorized representative. (Part II)
9. Verification that the project has been advertised for bids or other appropriate procurement action. (Part II)

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ENVIRONMENTAL ASSISTANCE DIVISION  
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY  
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